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ESSENCE AND CLASSIFICATION OF INVESTMENTS

Abstract: This article provides detailed information on the nature of investments and their classification. Investments are considered as an important factor in economic development and analyze how they are implemented at the business, state and personal levels. The article provides a classification of investments according to various criteria, such as financial, commodity, direct and indirect investments. It also examines the impact of investments on economic growth, job creation and innovation. The article also emphasizes the importance of risk management and diversification strategies in the investment process.

Keywords: investment, economic development, business, state, economic growth, jobs, risk management, diversification strategies.

Introduction. Investments are considered an important factor in economic development, as they have a significant impact on the economic growth of countries, job creation and innovation. The investment process is mainly carried out at three main levels: business, government and individual. Each level has its own characteristics and plays an important role in economic development. Investments at the business level are made by companies. They are made in order to introduce new technologies, increase production capacity or capture new markets [1]. For example, a company may invest capital to open a new production line. This not only contributes to the company's own growth, but also creates new jobs and has a positive impact on the local economy. In addition, business investments can be focused on innovative projects. By developing innovations, companies increase their competitiveness and offer new products or services to consumers. Thus, investments at the business level are important in accelerating economic growth.

At the state level, investments are mainly focused on infrastructure and social sectors. As part of its economic policy, the state can allocate significant funds for the construction of roads, bridges, transport systems and other infrastructure facilities. Such investments are important in ensuring the economic development of the country, since good infrastructure facilitates business activities and attracts investors. State investments are also made in the education and healthcare sectors. Investments aimed at education help provide the younger generation with quality knowledge, which in turn ensures sustainable economic development in the future. Investments aimed at healthcare serve to improve the health of the population and improve the efficiency of the workforce.

Personal investments are made by individuals. This often means investing in financial assets, such as stocks, bonds, or real estate. Personal investments are made to ensure financial stability and meet future needs [2]. Personal investments also include funds spent on education or

professional development. Such investments help an individual improve their skills and increase their chances of finding a high-paying job in the future.

Investments are an important component of the economy, and their classification according to various criteria helps to better understand the investment process. There are many criteria for classifying investments, but the most common are financial, commodity, direct, and indirect investments.

Financial investments are the allocation of funds by investors to other companies or assets. This type of investment is mainly made with the aim of earning income through dividends or interest. Financial investments can be in the form of stocks, bonds, bank deposits, and other financial instruments. Investors manage their funds through financial markets, which gives them the opportunity to earn high returns, but also involves risks.

Commodity investments are investments in real assets, such as real estate, equipment, technology, or other physical products. These types of investments are often made with the intention of generating income over the long term [3]. One advantage of commodity investments is that they can be more stable in relation to economic changes. For example, the real estate market often maintains or increases its value during periods of inflation.

Foreign Direct Investment (FDI) is a direct investment by investors in companies or assets located in other countries. This type of investment is mainly made for the purpose of creating new production facilities, developing existing enterprises, or expanding other business activities. Direct investments help strengthen economic ties between countries and often create jobs.

Indirect investments are investments by investors in other companies or assets not directly, but through intermediaries. For example, investors invest indirectly by purchasing stocks or bonds in the stock market. These types of investments are often made to reduce risk and diversify. Through indirect investments, investors gain access to companies operating in different industries and geographical areas. When choosing an investment strategy, investors consider their objectives, risk tolerance, and desire for returns over time [4]. For example, if an investor aims to earn short-term income, he may focus on financial investments. Conversely, if he wants long-term stability, he may prefer commodity investments.

The investment process is an important and responsible task for any investor. This process involves not only making a profit, but also implementing risk management and diversification strategies. Risk management and diversification are two basic principles that help investors manage their funds safely and effectively.

Risks are always present in the investment process. They can arise due to market volatility, economic conditions, political events, or other factors. Risk management is the methods and strategies used by investors to reduce the risk of losing their funds. One of the first steps in risk management is to identify risks. Investors should analyze their potential risks when evaluating their investments.

There are several main methods of risk management. First, this method is risk diversification. Investors can reduce risks by spreading their funds across different assets and market segments [5]. Second, investors can manage risks by using hedging strategies. This strategy involves the use of financial instruments, such as options or futures contracts. The third method is for investors to monitor their portfolios regularly. This allows them to assess the performance of their investments and make adjustments if necessary.

Diversification is one of the important principles of investment, in which investors try to reduce risks by holding a variety of assets within their portfolios. The diversification strategy is mainly implemented by investors investing in different sectors, geographical areas and asset types. This method ensures that if one asset or sector performs poorly, it is compensated by other assets [6]. Diversification has many advantages. First, it reduces the overall risk level of investors. If an investor invests in only one asset and it fails, the investor can face large losses. However, if the investor spreads his funds across different assets, the poor performance of one asset can be compensated by the good performance of other assets. Second, diversification expands the income opportunities of investors. By investing in different sectors, investors can benefit from economic changes.

Effective organization of investment activities and ensuring economic stability are important tasks for every country. Investment is a key source of economic growth, creating new jobs, promoting technological progress, and improving the overall quality of life. However, for the investment process to be successful, a number of strategies and principles must be taken into account.

First, the planning process is very important for more effective investment activities. Each investor or company must determine its goals and develop specific strategies to achieve them. These strategies should be prepared based on an analysis of economic conditions, market trends and competitors. During the planning process, investors need to determine where and how to allocate their funds. This will allow them to diversify their investment portfolio.

Secondly, risk management is very important for effective investment activities. Any investment involves risks, so investors should use various methods to reduce the risk of losing their funds. One of the most effective methods of risk management is diversification. Investors can reduce risks by spreading their investments across different sectors, geographical areas and asset types. They can also hedge risks by using hedging strategies. This helps investors make their investments more stable.

Thirdly, the use of modern technologies in the effective organization of investment activities is also important. Today, technology plays a major role in simplifying and accelerating the investment process. For example, through online platforms, investors have the opportunity to monitor and manage their investments. Also, market analysis using big data and artificial intelligence helps to make investors' decisions more informed. This is important in ensuring economic stability.

Fourth, the government and state bodies play an important role in supporting investment activities. A favorable investment climate created by the state is of great importance in attracting investors and stimulating their activities. Countries can increase investment through tax breaks, subsidy programs or other incentive measures. The development of state infrastructure also enhances investment activities.

Fifth, social responsibility is also important in ensuring economic stability. Investors and companies need to take social responsibility into account in their activities. This not only improves their image, but also helps them to be successful in the long term. Through socially responsible investments, companies can benefit society, which helps to strengthen economic stability.

Conclusion. In conclusion, the correct understanding and categorization of investments is important for each investor and economic entity. This process helps in setting investment strategies, managing risks, and improving economic efficiency. The essence and categorization

of investments are also elements of fundamental importance in ensuring the stability of the economic system.

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